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**When Serving Customers Includes Correcting Them:  
Understanding the Ambivalent Effects of Enforcing Service Rules**

**Abstract**

Service employees frequently must enforce rules upon their customers to mitigate dysfunctional customer behavior and ensure proper service delivery (e.g., enforce “fasten seatbelt” signs on flights). However, the consequences of enforcing service rules (ESR) are not well understood. To elucidate the effect of ESR, the authors present seven studies involving more than 6,800 customers and consisting of cross-sectional and longitudinal data from customer surveys and company records as well as experiments. The results indicate that ESR exerts ambivalent effects: customers who experience ESR directed at other customers perceive service employees as more competent, which increases customer loyalty. However, if ESR is directed at customers themselves, they perceive a self-concept threat, leading them to devalue service employees’ warmth and competence and to become less loyal. The effects of ESR hinge on a number of factors, including the harm that dysfunctional behavior potentially causes, the way ESR is communicated, and customers’ experience with the service situation. Furthermore, the authors show that service employees can alleviate the negative effects of ESR by communicating service rules in advance and justifying ESR appropriately.

*Keywords:* service delivery; customer–employee interaction; dysfunctional customer behavior; co-production; enforcement

## 1 Introduction

The integration of the customer into service delivery constitutes a defining characteristic of services (Kunz and Hogreve 2011; Zeithaml, Parasuraman, and Berry 1985). Because of the customer's integration, service delivery depends not only on the service provider but also on the customer's appropriate behavior (Bendapudi and Leone 2003; Hui, Au, and Fock 2004; Verbeke and Bagozzi 2003). Consequently, to ensure a high level of service quality, it is essential that service employees enforce service providers' rules if customers show dysfunctional behavior. For instance, airline cabin staff may have to correct passengers who do not fasten their seatbelts.

In this paper, we perceive the phenomenon of a service employee's correction of a customer's rule breaking, as depicted in the previous example, as the *enforcement of service rules (ESR)*. Although the integration of the customer in services often necessitates ESR, no academic work on this phenomenon exists to date. From a theoretical viewpoint, this void in marketing research calls for researchers' attention for three reasons. First, because service employees are confronted with dysfunctional customer behavior more than ten times per day on average (Reynolds and Harris 2009), correcting customers constitutes a "necessary evil" for many service providers. However, the consequences of employees' service rule enforcement on customer perceptions and outcomes are not well understood. Second, examining service employees' ESR is conceptually interesting because it deviates from the conventional view of power relations between customers and service employees, according to which service employees ought to behave submissively, literally "serving" the client (Hill et al. 2016; Di Mascio 2010). Hence, at least situationally, ESR breaks with the long-held norm that the "customer is king." Therefore, our paper aligns with an emergent stream in service research on reversed power relationships in service settings (Hill et al. 2016; Xia and Kukar-Kinney 2013; Ma and Dubé 2011). Third, and most important, the consequences of ESR regarding customers' perceptions of the service may be ambivalent. Although the correction of customers' dysfunctional behavior ensures a functioning service process and may thus

positively influence their perceptions, customers may also view this approach as intrusive and exhibit reactance (Brehm 1966).

Noting the theoretical relevance of ESR to research on customer–service employee interactions, our primary goal is to gain an understanding of its consequences at the level of an individual customer. Specifically, we propose that service rule enforcement affects customer loyalty by influencing customers’ perceptions of employees’ warmth and competence, which social cognition research has established as the basic perceptions of others that individuals form in social interactions (Fiske, Cuddy, and Glick 2006). Importantly, we predict the effects of ESR will fundamentally differ for customers at whom ESR is directed (hereafter: *rule-breaking customers*, who experience *ESR toward self*) and customers who witness ESR directed at other customers (hereafter: *observing customers*, who experiences *ESR toward others*). In particular, drawing on social cognition and service research, we suggest that customers who observe ESR toward others perceive an employee as more competent, translating to higher customer loyalty, thus constituting a “bright side of ESR.” Conversely, building on self-concept theory, we argue that rule-breaking customers who experience ESR toward self are likely to devalue an employee’s warmth and competence and reduce their loyalty intentions, which denotes a “dark side of ESR.”

Furthermore, we conceptualize contingency factors that determine the strength of the previously mentioned effects. These contingencies pertain to the main actors in service situations where the correction of rule breaking occurs: (1) the service employee, (2) the rule-breaking customer, and (3) the observing customer. Regarding the service employee, we suggest that a core contingency affecting customers’ perceptions of ESR refers to the question of how appropriately the rule enforcement is communicated. Second, pertaining to the rule-breaking customer, we argue that this customer’s reaction to ESR depends on how experienced this customer is with the service. Third, related to the observing customer, we suggest that this customer’s perception of ESR is shaped by the nature of the dysfunctional behavior, that is, whether the behavior impairs the observing customer’s service consumption. Web Appendix W1 presents a graphical overview of these proposed contingencies.

To test our propositions, we conducted seven studies using field and experimental data from more than 6,800 customers (see Figure 1). The results provide strong evidence for our propositions and are consistent across different service contexts, thereby substantiating the prevalence of the ESR phenomenon and the generalizability of our findings. These findings extend marketing and service research and practice in three ways. First, we provide insight into the phenomenon of service employees' correction of dysfunctional customer behavior, which is prevalent in service practice but academically not sufficiently understood. In light of the fundamental relevance of ESR to ensure effective service delivery, we suggest that ESR and the differentiation of ESR towards others and self, might represent a valuable addition to the nomological network of service research.

Second, we show that the detrimental effects of ESR toward self may be traced back to customers' perceived self-concept threat and thus to the tenets of self-concept theory (e.g., Baumeister 1998; Grubb and Stern 1971). Differentiating ESR toward self from ESR towards others, we find that the former ultimately harms customer loyalty, whereas the latter potentially enhances customer loyalty. This finding provides an indication regarding customers' egocentric bias in the processing of ESR.

Third, from both a research and a managerial perspective, it appears desirable to investigate strategies that optimize the effects of correcting customer behavior in service encounters. Currently, marketing research does not offer guidance to practitioners regarding how to optimally enforce service rules. We contribute to marketing research and practice by advocating the early communication of service rules and by explaining the reason for ESR through the feel-felt-found approach, a combination that offers an effective mitigating strategy to alleviate the detrimental effects of ESR on relationships with rule-breaking customers.

--- Insert Figure 1 about here ---

## 2 Literature Review

While to the best of our knowledge, no prior study has examined how rule-breaking and observing service customers react to ESR, literature in the fields of education and marketing has explored related phenomena. We draw on this literature as the basis for our conceptualization.

### 2.1 Education research

Teachers are frequently required to enforce rules, aiming at “establishing and maintaining conditions in which instruction can occur effectively and efficiently” (Buckley and Cooper 1978, p. 254). In research on teachers’ rule enforcement, two streams of literature have emerged. Within the first stream, authors focused on categorizing *types of rules and enforcement*. For example, Buckley and Cooper (1978) differentiate between formal and informal rules, whereas Thornberg (2008) conceptualizes different types of rules for classroom behavior. Regarding the types of enforcement, researchers conceptualize positive enforcement for appropriate behavior (e.g., point rewards, praising the student) (e.g., Bru, Stephens, and Torsheim 2002; Buckley and Cooper 1978; Dollar 1972; Elliott 1986; Elliott et al. 1986; Lewis et al. 2005; Turco and Elliott 1986). In addition, researchers conceptualize negative enforcement in response to students’ inappropriate behavior, including verbal correction, the withholding of rewards, punishment (Buckley and Cooper 1978), and requests for students to regulate themselves (Lewis et al. 2005).

Within the second research stream, studies investigated *students’ perceptual and behavioral reactions* to rule enforcement. Specifically, studies examined the risk of hurting a student’s feelings or eliciting a perceived threat to self-esteem (Créton, Wubbels, and Hooymayers 1993) and showed that students are more likely to accept interventions if these occur in private rather than in public (Elliott 1986; Elliot et al. 1986; Turco and Elliott 1986). Furthermore, teachers’ monitoring and emotional support reduce students’ bullying and opposition towards teachers (Bru, Stephens and Torsheim 2002). However, students may also react aggressively to enforcement (Lazarus 1991).

## 2.2 *Marketing research*

Although the importance of behavioral rules for customers has long been recognized (e.g., Molander 1987), few studies have investigated how these rules are enforced (e.g., Esmark and Noble 2016; Fong, So, and Law 2017; Fullerton and Punj 1997; Xia and Kukar-Kinney 2013). For example, Esmark and Noble (2016, p. 97) suggested that “customers do not like being told what they can’t do by an employee.” One way to resolve this conflict may be “customer rules” signs that aim to motivate specific customer behaviors, for example, “to be nice, respectful, patient, helpful, and courteous” (p. 102). In a similar vein, Fong, So, and Law (2017) categorized employees’ responses to customer misbehavior, such as managing customers’ emotions by showing empathy.

Beyond these scarce insights into service rule enforcement, our work draws on two emergent streams of marketing literature. The first stream of literature examines incivility in service employee–customer interactions, that is, rude or condescending customer behaviors toward employees (e.g., Fisk et al. 2010; Harris and Reynolds 2003; Henkel et al. 2017; Walker, van Jaarsveld, and Skarlicki 2013). For example, Henkel et al. (2017) showed that by-standing customers evaluate service employees more positively if these employees respond to customer incivility with a polite reprimand. The second stream of literature examines how customers perceive and react to service employees’ dominant communication styles. Specifically, studies found that low dominance in service employee communication results in greater customer satisfaction (Street 1989; Webster and Sundaram 2009), whereas higher dominance by employees may lead to less positive customer attitudes (Scheer and Stern 1992; Yagil 2001). Furthermore, Ma and Dubé (2011) suggested that when interacting with dominant service employees, customers react by exhibiting submissive behavior.

In summary, while service employees frequently must enforce service rules, the phenomenon of ESR is not sufficiently understood to date. This is the starting point of our study, which aims to understand customers’ reactions to ESR directed at themselves or at other customers.

### 3 Hypotheses Development

In our conceptual framework, we differentiate between *observing* customers, who experience ESR toward *others*, and *rule-breaking* customers, who experience ESR toward *self*. We expect the former to exhibit positive effects on customers' perceptions and loyalty, denoting a "bright side" of ESR, and the latter to have negative effects, indicating a "dark side" of ESR. We derive hypotheses for the positive and negative effects of service rule enforcement, starting with the bright side.

#### 3.1 *The Bright Side of ESR*

According to social psychology research, individuals evaluate their interaction partners on two fundamental dimensions: warmth and competence (e.g., Cuddy, Fiske, and Glick 2008; Cuddy, Glick, and Beninger 2011; Fiske, Cuddy, and Glick 2006). Whereas warmth reflects the interaction partner's intention toward oneself (either benevolent or malevolent), competence is conceived as the ability to enact and assert one's intentions. In interpersonal interactions, individuals frequently make inferences about their interaction partner's competence<sup>1</sup> (e.g., Fiske, Cuddy, and Glick 2006). Hereby, individuals base their inference on informational cues, such as the other's behavior (Anderson and Kilduff 2009). Building on this notion, service research confirms that customers evaluate service employees as competent based on the extent to which they perceive them as assertive, dominant, and determined (Surprenant and Solomon 1987; Yagil 2001). Moreover, a service employee's perceived ability to perform the promised service accurately and conscientiously constitutes a key informational cue from which customers make inferences regarding employee competence (Liao and Chuang 2004; Parasuraman, Zeithaml, and Berry 1988; Surprenant and Solomon 1987).

Applying these insights to our research question, we suggest that customers who witness a service employee's correction of another customer infer elevated levels of service employee competence because

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<sup>1</sup> We do not expect ESR toward others to exhibit effects on service employee warmth because individuals infer warmth from the perceived motives of the other person toward themselves (Fiske, Cuddy, and Glick 2006). However, we argue that observing customers are unlikely to infer service employees' motives toward themselves from the enforcement of service rules vis-à-vis other, rule-breaking customers.



they perceive the employee as reliable and conscientious, aiming to perform the promised service accurately (Henkel et al. 2017). Thus,

H<sub>1</sub>: Customers who experience ESR toward *others* perceive service employees as *more competent* compared to customers who do not experience ESR.

Customers who perceive a service employee as competent develop stronger loyalty (Babbar and Koufteros 2008; Kong and Jogaratnam 2007; Zeithaml, Berry, and Parasuraman 1996). Thus, extending our previous hypothesis, we expect ESR toward others to increase customer loyalty via customers' perceptions of the service employee's competence.

H<sub>2</sub>: The indirect effect of ESR toward others on customer loyalty via perceived service employee competence is positive.

### 3.2 *Contingencies of the Bright Side of ESR*

In the following section, we discuss two contextual factors that may affect the influence of ESR toward others on observing customers' perception of service employee competence: (1) the extent to which the other customer's dysfunctional behavior in the service process potentially causes harm to the customer who observes the rule enforcement (in short: potential harm to observing customer), and (2) the extent to which the customer perceives the rule enforcement is appropriately communicated by the service employee (in short: ESR communication appropriateness).

*Potential harm to observing customer.* Customers make inferences about service employee competence based on the employee's ability to perform the service as promised (Surprenant and Solomon 1987). Naturally, the delivery of the service as promised might be compromised if other customers' dysfunctional behavior undermines observing customers' service experience. If service employees correct another customer in a situation of potential harm to the observing customer, they prevent the compromising of the observing customer's service experience and hence ensure the promised service delivery. Consequently, in this situation, service employees provide a diagnostic cue that they are able to deliver the service as promised, thereby affirming their competence (Lynch 2006).

Conversely, if a customer's dysfunctional behavior does not threaten another customer's service experience, correcting the dysfunctional behavior does not immediately affect the service experience of the latter. In this situation, the service employee cannot immediately prove his ability to perform the service as promised, thereby sending a weaker signal of competence to the customer. Thus,

H<sub>3</sub>: The positive effect of ESR toward others on service employee competence is enhanced if the dysfunctional behavior of the rule-breaking customer causes potential harm to the observing customer.

*ESR communication appropriateness.* Prior research suggests that individuals may infer competence from the communicative abilities shown by others (Schlenker and Weigold 1992). More precisely, instead of expending cognitive effort to make a systematic assessment, individuals may use others' perceived communication ability as a cue to estimate their competence (Ellis et al. 2002). Applied to our context, observing customers may use the appropriateness of service employees' ESR communication as such a cue of competence. Specifically, when confronted with dysfunctional behavior, a service employee may illustrate the ability to adequately cope with "difficult" service situations through appropriate ESR communication. As such, if service employees appropriately communicate the correction of another customer, this may enforce the professional impression that observing customers gain through ESR. Therefore, we hypothesize the following:

H<sub>4</sub>: Observing customers who experience ESR toward *others* evaluate service employees as more competent if the service employee communicates ESR in an appropriate manner.

### 3.3 *The Dark Side of ESR*

While for ESR toward others we predominantly expect positive effects, the question arises of how ESR affects rule-breaking customers who are the target of the enactment of the service rule (ESR toward self). On the basis of self-concept theory, we predict that being corrected by a service employee may deteriorate rule-breaking customers' employee perceptions and loyalty.

A self-concept represents "the totality of the individual's thoughts and feelings having reference to himself" (Rosenberg 1979, p. 7). Individuals are motivated to maintain positive self-concepts (e.g., Grubb

and Stern 1971), and they invest considerable effort in attaining positive views of the self by means of *self-concept enhancement* (Baumeister 1998; Sedikides, Green, and Pinter 2004). Toward this end, if their positive views of themselves are threatened, individuals resort to *self-concept protection* strategies (Campbell and Sedikides 1999; Alicke and Sedikides 2009). For example, to fend off a threat, individuals may devalue the threatening party (Hepper, Gramzow, and Sedikides 2010).

*Effects of ESR toward self on warmth and competence.* Applying self-concept theory to our research, we propose that rule-breaking customers who experience ESR directed at them may regard it as a threat to their self-concept. Specifically, we expect a customer being corrected by a service employee to suspect that the service employee gained a negative attitude of him or her as a consequence of the dysfunctional behavior. In other words, a customer may perceive ESR as a signal of an unfavorable impression of the service employee and thus as an attack on his or her self-concept. To protect their self-concept in such a situation, customers may lower their perceptions of service employees in terms of warmth and competence (e.g., Hepper, Gramzow, and Sedikides 2010).

Devaluing a service employee's warmth and competence equips customers with a reason for the service employee's rule enforcement that does not relate to the rule-breaking customer and is thus detached from the customer's self. Specifically, if customers regard a service employee as cold, i.e., unfriendly (Parasuraman, Zeithaml, and Berry 1985) or incompetent, they may attribute the correction of behavior to the service employee's character or abilities rather than to their own fallibility in the service process. As a result, by devaluing a service employee's warmth and competence, rule-breaking customers may be able to protect their self-concept from being afflicted by the rule enforcement. Moreover, because a service employee's warmth and competence is positively related to customer loyalty (Babbar and Koufteros 2008; Kong and Jogaratnam 2007; Zeithaml, Berry, and Parasuraman 1996), being corrected should result in lower customer loyalty. Thus,

H5: Rule-breaking customers who experience ESR toward self perceive service employees as *less warm*.

- H<sub>6</sub>: Rule-breaking customers who experience ESR toward self perceive service employees as *less competent*.
- H<sub>7</sub>: The indirect effect of ESR toward self on customer loyalty via (a) perceived service employee warmth and (b) perceived service employee competence is positive.

### 3.4 Contingencies of the Dark Side of ESR

We propose that rule-breaking customers' experience and ESR communication appropriateness moderate the effect of ESR toward self on customers' perceptions of the service employee's warmth and competence. In the following, we elaborate on these moderating effects.

*Customer experience.* Customers with high levels of service experience are familiar with their tasks and roles in the service process (Schau, Dellande, and Gilly 2007). Their repeated service usage leads them to "develop a deeper understanding of service provision, while internalizing the social systems in which they are embedded" (Edvardsson, Tronvoll, and Gruber 2011, p. 336). Thus, experienced customers may understand that service employees must correct customers in critical situations and thus regard this approach as a usual behavior of employees to ensure proper service. If a service employee enforces a service rule upon experienced customers, these customers should therefore be less likely to perceive this as a threat to their self-concept. Consequently, experienced customers may feel less of a need to protect themselves and may thus be less likely to negatively evaluate the service employee's warmth and competence (Campbell and Sedikides 1999).

- H<sub>8</sub>: The negative effect of ESR toward self on (a) service employee warmth and (b) service employee competence is less pronounced for high customer experience.

*ESR communication appropriateness.* As outlined above, rule-breaking customers may perceive a correction as a threat to their self-concept if they fear they have created an unfavorable impression with the service employee (Argo, White, and Dahl 2006). We suggest that whether customers infer such unfavorable impressions depends on the degree to which the service employee communicates ESR appropriately. Specifically, if a service employee communicates the rule enforcement *inappropriately*, customers may infer that the service employee personally disrespects them for having broken rules. Such an inference of personal disrespect may threaten customers' self-concept and trigger self-protection

strategies, exacerbating the negative effect of the correction on employee warmth and competence.

Conversely, if a service employee communicates ESR appropriately, customers may infer that despite their breaking of service rules, the service employee does not harbor an unfavorable impression. As a result, customers may perceive a lower self-concept threat and thus be less likely to devalue the service employee's warmth and competence as a means of self-protection. Hence,

H<sub>9</sub>: The negative effect of ESR toward self on (a) service employee warmth and (b) service employee competence is less pronounced if service employees communicate ESR in an appropriate manner to rule-breaking customers.

### 3.5 *Service Employee Strategies to Alleviate the Dark Side of ESR*

Because rule enforcement is vital to effective service delivery, service providers are unlikely to circumvent ESR. Therefore, a key question for service firms is how to correct dysfunctional customer behavior in a way that customers perceive as appropriate (see H<sub>9</sub>) and which therefore mitigates negative effects on the loyalty of rule-breaking customers. To provide guidance for service practices in this respect, we propose that service employees can remedy the detrimental effects of ESR by providing a justification for ESR. We hereby differentiate between a *plain* justification, in which the service employee merely provides a reason for ESR, and a justification using the so-called *feel-felt-found* approach (e.g., Sobczak 1995). Furthermore, we propose that the effectiveness of both types of justification depends on the prior announcement of the service rule to be enforced.

*Plain justification and announcement of service rule.* Building on attribution theory, we argue that customers are particularly likely to perceive a self-concept threat from being corrected by a service employee if they create internal attributions for it; that is, they search for the reason for ESR within themselves (Weiner 2000). Such internal attributions may lead customers to explain the rule enforcement through their own inability to conform to service rules, which may challenge their self-conception. In other words, customers who are corrected by a service employee may be unlikely to attribute ESR externally to situational factors, for instance, by acknowledging the situational need of the service employee who is obliged to ensure a well-functioning service delivery.

However, prior research indicates that customers' attributions are malleable (Weiner 2000). For example, when a service employee offers an external explanation for a service failure, the customer attributes less control to the firm than when an internal explanation is provided (Bitner 1990).

Drawing on these notions, we suggest that by communicating ESR with a justification, service employees may induce rule-breaking customers not to take correction personally, but rather to relate the correction to the service firms' motive to effectively deliver the service. Notably, justifying the rule enforcement may change the direction of customers' respective attributions from internal to external. If customers understand that being corrected is independent from their person, they may be less likely to perceive ESR as a self-concept threat and exhibit reduced loyalty.

However, we suggest that the *announcement of the service rule* early in the service process constitutes a critical contingency factor that influences the effectiveness of justifications to alleviate the negative effects of ESR toward self on customer loyalty (Dootson et al. 2016; Esmark and Noble 2016; Weiner 2000). If the service employee immediately establishes the relevant service rules in the service process, the justification of rule enforcement in case of a dysfunctional behavior should be perceived as more credible by the customer. This reasoning is supported by works emphasizing the relevance of sending consistent messages in communication settings to create and maintain credibility (Wagner, Lutz, and Weitz 2009). Conversely, a justification through the service employee without specifying relevant service rules *ex ante* might be perceived as haphazard and less substantiated. Therefore,

H<sub>10a</sub>: Justifying ESR alleviates the negative effects of ESR toward self on the loyalty of rule-breaking customers, especially if the service rule was initially announced.

*Feel-felt-found justification and announcement of the service rule.* The feel-felt-found approach is a three-part communication technique aimed at evoking customers' acceptance of one's own position (Sobczak 1995). In this respect, the "feel component" implies that a service employee shows an understanding of a customer's situation (e.g., "I understand how you *feel*"). Further, the "felt component" indicates that the service employee supports his empathy for a customer's situation by providing an

example of a similar situation (e.g., “I know someone who *felt* the same way”). Eventually, the “found component” comprises a message, insight, or lesson from the situation for the customer (e.g., “He *found* that the situation was not bad after all”). For our research question, we framed the insight revealed to the customer (the “found” component) as the provision of the reason (or justification) why ESR occurred. Consequently, the feel-felt-found approach differs from the plain justification in H<sub>10a</sub> through the additional exhibition of empathy to the customer.

Because the feel-felt-found approach likewise offers a justification of ESR, we suggest that it works similarly to the plain justification approach by guiding rule-breaking customers to engage in the external attributions of ESR (i.e., situational) rather than the internal attributions (i.e., personally connected to the customer’s person), resulting in a lower self-concept threat. However, beyond the plain justification approach, we suggest that showing empathy to the rule-breaking customer may function as an additional buffer by preventing customers from attributing correction internally to their person. If the service employee empathizes with the customer, he or she expresses benevolent intentions toward the customer and an appreciation of the customer. Perceiving this appreciation of his person, the rule-breaking customer should be especially unlikely to conclude negative personal consequences from the service employee’s ESR and feel little threat to self-concept. Moreover, we expect this additional “empathetic” component of the feel-felt-found approach to be more effective in sustaining customer loyalty than plain justification (Fong, So, and Law 2017). Thus,

H<sub>10b</sub>: Justifying ESR through the feel-felt-found approach alleviates the negative effects of ESR toward self on the loyalty of rule-breaking customers, especially if the service rule was initially announced.

H<sub>10c</sub>: Justifying ESR through the feel-felt-found approach alleviates the negative effects of ESR toward self on the loyalty of rule-breaking customers to a greater extent than plain justification.

## **4 Study 1: Establishing the Bright Side of ESR**

### **4.1 Method**

*Design.* In Study 1, we initially focus on the potential positive effects of ESR toward others on observing customers’ perceptions of service employee competence and subsequent firm relationship

outcomes ( $H_1$  to  $H_4$ ). We randomly allocated 410 consumers acquired through Mechanical Turk (56% male; mean age of 35.6 years) to 9 conditions in a  $3 \times 3$  between-subjects design. The first experimental factor is composed of the *no ESR toward others* vs. *ESR toward others* conditions, taking into account the potential reasons why ESR is not applied: (1) no ESR toward others because the service employee does not notice the other customer's dysfunctional behavior (abbreviated: *no ESR toward others because dysfunctional behavior not seen*); (2) no ESR toward others because the service employee notices but ignores the other customer's dysfunctional behavior (abbreviated: *no ESR toward others because dysfunctional behavior ignored*); and (3) *ESR toward others*, where the service employee notices the other customer's dysfunctional behavior and enforces the service rule.

The second experimental factor includes three conditions that manipulate the potential harm that may be caused through the other customer's dysfunctional behavior to the observing customer: (1) *potential harm to the observing customer's safety through the other customer's dysfunctional behavior*; (2) *potential harm to the observing customer's convenience through the other customer's dysfunctional behavior*; and (3) *no potential harm to the observing customer through the other customer's dysfunctional behavior*. Beyond the two experimental factors, we created an additional *no ESR toward others* control condition in which no dysfunctional behavior and thus no ESR occurs ( $N = 47$ ; 57% male; average age of 35.9 years).

To render highly realistic scenarios for the participants, we selected a familiar experimental context by simulating a service experience at a hotel. In line with similar experiments in service settings, we manipulated the service employee's behavior by exposing participants to written service scenarios in which the employee exhibited the respective behavior (Hennig-Thurau et al. 2006; Homburg, Hoyer, and Koschate 2005).

*Procedure.* We instructed participants to imagine that they were checking in at a hotel at their holiday destination and subsequently asked them to complete a survey. According to the scenario, the hotel concierge arranges the transport of the luggage and shows the customers to their room. Upon



entering the hallway to the room, participants observe hotel guests who are likewise moving into their room. During this process, the other hotel guest exhibits dysfunctional behavior by temporarily placing heavy luggage in the hallway that cannot easily be removed. In the *potential harm to observing customer's safety through other customer's dysfunctional behavior* condition, the other hotel guests stow their luggage in front of the fire exit door. In the *potential harm to observing customer's convenience through other customer's dysfunctional behavior* condition, the other hotel guests stow their luggage in front of the door to the hotel's leisure facilities. In the *no potential harm to observing customer through other customer's dysfunctional behavior* condition, the other hotel guests stow their luggage in front of a door to a facility management room.

In the *no ESR toward others because dysfunctional behavior not seen* condition, the hotel concierge does not realize the other hotel guests' dysfunctional behavior and guides the customer to his or her room without addressing the other hotel guests. In the *no ESR toward others because dysfunctional behavior ignored* condition, the hotel concierge realizes the other hotel guests' dysfunctional behavior but does not correct it. Eventually, in the *ESR toward others* condition, the hotel concierge notices the dysfunctional behavior and asks the other hotel guests to move their luggage from the hallway to their room. Lastly, in the *no ESR toward others because no dysfunctional behavior control* condition, the other customers do not misplace their luggage, which the hotel concierge verifies and thus does not enforce any service rule. The full experimental treatments are presented in Web Appendix W2.1. We conducted a pretest using an online convenience sample ( $N = 45$ ; 60.5% male; average age of 30.1 years) and found that the manipulation worked as intended and participants perceived the treatments to be easily understandable.

*Measures.* The study employs measurements that are established in prior research and adjusted to the study context, as depicted in detail in the Appendix. The key dependent variables in Study 1 are service employee competence and customer loyalty. To measure service employee competence, we use a three-item Likert scale based on Fiske, Cuddy, and Glick (2006). For customer loyalty, we employ a three-item Likert measurement based on Johnson, Herrmann, and Huber (2006). The experimental treatments *no*

*ESR toward others vs. ESR toward others* and *potential harm of dysfunctional behavior* are the key independent variables, which we include in the data analysis as categorical variables. Finally, we measure ESR communication appropriateness through three items, capturing the extent to which participants perceive the ESR communication as appropriate, acceptable, and legitimate.

In line with standard reliability diagnostics, for the multi-item scales we employed Cronbach's alpha and a confirmatory factor analysis to assess the convergent and discriminant validity of the measurements. All scales in Study 1 conform to the prescribed threshold values, indicating the reliability of our measurements (please refer to the Appendix for the results of these analyses).

## 4.2 Results

*Validity checks.* All manipulations worked as intended. Furthermore, participants evaluated the scenario as realistic and were unaware of our hypotheses, suggesting that the study exhibits external validity and is not unduly influenced by demand effects (see Web Appendix W2.2).

*Hypotheses tests.* To test  $H_1$  and  $H_3$  we ran one ANOVA including the experimental treatment factors *no ESR toward others vs. ESR toward others* and *potential harm through dysfunctional behavior* as independent variables and service employee competence as the dependent variable. The results of the ANOVA show a significant main effect of the *no ESR toward others vs. ESR toward others* treatment factor on service employee competence, indicating that significant mean value differences exist among the three conditions ( $F(2, 401) = 71.51, p < .01$ ). The main effect of *potential harm through dysfunctional behavior* is not significant ( $F(2, 401) = 1.18, p > .10$ ). As expected, the interaction effect of both treatment factors is significant ( $F(4, 401) = 4.19, p < .01$ ).

To compare the individual cell mean differences and to test  $H_1$ , we conducted post hoc tests. The results indicate that service employee competence in the *ESR toward others* conditions is significantly higher than in all *no ESR toward others* conditions with dysfunctional behavior, confirming  $H_1$  (see Figure 2). This effect is also replicated for the *no ESR toward others because no dysfunctional behavior*

control condition, where service employee competence ( $M = 5.06$ ) is lower than the average value of service employee competence across the three *ESR toward others* conditions ( $p < .05$ ).

--- Insert Figure 2 about here ---

In  $H_3$ , we argued that the positive effect of ESR toward others on service employee competence is more pronounced if the potential harm from the dysfunctional behavior for the observing service customer is high. Corroborating  $H_3$ , the results indicate that service employee competence is significantly higher in the *ESR toward others* and *potential harm to observing customer's safety and convenience* conditions compared to the *ESR toward others* and *no potential harm to observing customer* condition ( $M_{\text{ESR toward others and safety harm}} = 5.81$ ;  $M_{\text{ESR toward others and convenience harm}} = 5.86$ ;  $M_{\text{ESR toward others and no harm}} = 5.32$ ;  $\Delta M_{\text{safety harm vs. no harm}} = .49, p < .05$ ;  $\Delta M_{\text{convenience harm vs. no harm}} = .54, p < .05$ ).

Moreover, we assessed  $H_4$ , in which we predicted that the effect of ESR toward others depends on whether the service employee appropriately communicated the rule enforcement. The correlation between ESR communication appropriateness and service employee competence is positive ( $r = .73, p < .01$ ), providing initial support for  $H_4$ . To gain further insights, using a median-split on the ESR communication appropriateness variable, we differentiated between an *ESR toward others / high communication appropriateness* and *low communication appropriateness* condition and compared these conditions to the *no ESR toward others because no dysfunctional behavior* condition. The results suggest that service employee competence in the *ESR toward others / high communication appropriateness* condition is substantially higher than in the *ESR toward others / low communication appropriateness* and the *no ESR toward others because no dysfunctional behavior* condition ( $M_{\text{no ESR toward others because no dysfunctional behavior}} = 5.06$ ;  $M_{\text{ESR toward others / low communication appropriateness}} = 4.47$ ;  $M_{\text{ESR toward others / high communication appropriateness}} = 6.21$ ,  $F(2, 186) = 38.75, p < .01$ ). These findings support  $H_4$ .

Finally, to test our proposition in  $H_2$  that ESR toward others is positively manifested in the higher loyalty of observing customers, mediated by service employee competence, we estimated a path model. For the mediation analyses, we proceeded as follows: we created a dummy variable comparing the *ESR*

*toward others* condition (coded as 1) with the average of the *no ESR toward others* conditions (coded as 0). We calculated three mediation models for safety-related, convenience-related, and no potential harm to observing customer. Service employee competence is entered as a mediator and customer loyalty as an ultimate dependent variable. Moreover, we controlled for the direct effect of the experimental treatment dummy on customer loyalty and estimated all effects simultaneously using Mplus 7 (Shrout and Bolger 2002; Muthén and Muthén 2012). The results of these mediation analyses indicate that the effects of the *ESR toward others* condition compared to the *no ESR toward others* conditions is significantly manifested in customer loyalty via service employee competence, supporting H<sub>2</sub>. Importantly, service employee competence fully mediates the positive effect of ESR towards others on customer loyalty. Table 1 depicts the indirect effects.

--- Insert Table 1 about here ---

#### 4.3 Discussion of Study 1

Study 1 corroborates our proposition that ESR increases a customer's loyalty if ESR is not directed at the customer himself or herself but rather if the customer observes ESR directed at a rule-breaking customer. We find that the generally positive effect on customer loyalty of witnessing a service employee correct another customer is mediated by service employee competence. Furthermore, Study 1 suggests that the positive effect of ESR toward others is enhanced if it is directed to correct a dysfunctional behavior of other customers that might harm the observing customer's interests and if customers perceive the rule enforcement as appropriately communicated by the service employee.

Although Study 1 identifies the positive effects of service rule enforcement for service firms, in our conceptual framework we likewise suggest that ESR might entail negative consequences. In particular, we propose that a rule-breaking customer might react negatively if personally corrected because he or she is likely to feel a self-concept threat in response. To assess this reasoning, in Study 2, we examine ESR toward self and track rule-breaking customers' psychological responses to ESR.

## 5 Study 2: Establishing the Dark Side of ESR

### 5.1 *Context, Data Collection, and Sample*

To explore the effects of being corrected on rule-breaking customers, we worked with a health insurance provider, focusing on the provider's offering of nursing care insurance (e.g., Finkelstein and McGarry 2004). Customers entitled to the benefits of this insurance receive a monthly payment to cover their costs of nursing care. Hereby, as a service rule, the specific amount for which customers are eligible results from the degree to which customers depend on nursing care.

Notably, one in five customers who requests an increase in insurance benefits from this provider is not eligible to receive these benefits, thus consciously or unconsciously attempting to circumvent the established service rule. Such attempted insurance fraud is a widely recognized form of dysfunctional customer behavior (e.g., Fisk et al. 2010; Lesch and Brinkmann 2011). To counter this dysfunctional behavior, medically trained service employees visit and physically examine all customers who initially request insurance benefits or who request an increase in their benefits. During this examination service, if employees conclude that a customer is not eligible for (higher) benefits, they enforce the service rule by rejecting the customer's request.

Notably, service employees do not communicate ESR vis-à-vis customers immediately. Instead, ESR is communicated via a postal letter after the employee's visit. This context allows us to factor out a service employee's style of communication, which according to H<sub>9</sub> may constitute a contingency of the effect of ESR toward self on service employee warmth and competence.

To examine the effect of ESR toward self on customers, we collected data from customers and company records. First, over the course of eight months, we mailed a survey to 4,000 randomly chosen customers who had requested an increase in benefits and who had therefore been examined by service employees of the insurance provider. We received the survey back from 1,968 customers (response rate of 49.2%). We then determined from company records whether these customers had experienced ESR,

which was the case for 399 customers (20.3% of all respondents), and examined the customers' experience with the service situation. By linking survey data to objective data from company records, we circumvent a potential common method bias (Podsakoff et al. 2003). In addition, to ensure that non-response bias did not unduly influence our results, we applied the correction procedure proposed by Heckman (1976), as outlined below.

## 5.2 Measures

*Main variables.* The Appendix presents our survey measurements, which include customers' evaluations of service employees' *warmth* and *competence* (measured on Likert-type scales). We matched this survey data with objective data from company records. Specifically, *ESR toward self* is operationalized as a dummy variable indicating whether a service employee enforced the insurance company's service rule by rejecting a customer's request for (higher) insurance benefits (0 = service rule not enforced; 1 = service rule enforced). Lastly, we operationalized *customer experience* with the service situation using a proxy for the number of examinations customers had undergone prior to the focal examination. Specifically, given that customers typically request a gradual increase in their insurance benefits as their care dependency worsens, we operationalized customer experience as customers' current level of nursing care dependency, which in line with the insurance company's classification scheme equals a number between 0 (no level) and 4 (highest level). Table 2 depicts the descriptive statistics and correlations of these variables.

--- Insert Table 2 about here ---

*Controls.* We controlled for several potentially intervening variables. First, following recommendations by Ganzach (1997), we controlled for the squared term of our moderator customer experience. Second, we took into account the *nursing care environment*, which is a dummy indicating whether customers were in inpatient care or ambulatory care. Second, given that the insurance provider employed both physicians and nurses as medical professionals, we controlled for professionals' *educational background*. Both of these control variables were extracted from company records. Lastly,

we controlled for the medical professional's *punctuality*, which is a survey measure indicating whether the medical professional arrived for the examination on time.

### 5.3 *Model Specification and Results*

To test the effect of ESR toward self on service employee warmth (H<sub>5</sub>) and competence (H<sub>6</sub>) moderated by customer experience (H<sub>8a/b</sub>), we specified a path model linking ESR toward self, customer experience (mean-centered), the interaction of the two variables (that is, ESR toward self  $\times$  customer experience), and all of our control variables to service employee warmth and competence. We estimated this model using Mplus 7 (Muthén and Muthén 2012), including 1,690 observations due to the exclusion of (1) customers who had not yet received feedback whether their request was accepted or rejected and (2) customers who had missing data. The results are depicted in Table 3 (see Model 1). The model explains 25.4% (28.6%) of the variance of service employee warmth (competence).

--- Insert Table 3 about here ---

The results show that ESR toward self decreases customers' perceptions of service employee warmth ( $b = -.61, p < .01$ ) and competence ( $b = -.62, p < .01$ ), which supports H<sub>5</sub> and H<sub>6</sub>. Furthermore, customer experience positively moderates the effect of ESR toward self on both service employee warmth ( $b = .16, p < .05$ ) and competence ( $b = .20, p < .01$ ). Thus, H<sub>8a</sub> and H<sub>8b</sub> receive support. The corresponding interaction plots are presented in Web Appendix W3.1.

To verify the robustness of our results, we estimated an additional model applying the Heckman selection correct (Model 2 in Table 3, explanation in Web Appendix W3.2) and an additional model without control variables (Model 2 in Table 3). The results remain largely stable, which further supports our hypotheses on the effect of ESR toward self on service employee warmth and competence as well the customer experience as a moderator. Furthermore, we ruled out the alternative explanation for our findings that service employees who encounter dysfunctional behavior tend to *factually* exhibit less friendly and less competent behavior vis-à-vis customers (Web Appendix W3.3).

## 5.4 Discussion of Study 2

Whereas Study 1 showed that witnessing a service employee correcting another customer improves the observing customers' perceptions of service employees and firms, Study 2 provides evidence that being personally corrected by a service employee decreases rule-breaking customers' perceptions of service employees' warmth and competence. This effect is particularly pronounced if rule-breaking customers have little experience with the service situation.

In Study 3, we extend our previous studies in three ways. First, we strive to generate a more comprehensive understanding of service rule enforcement by integrating its bright side and dark sides into one unified model. Second, we establish the bright side of ESR from Study 1 using an experimental approach in which participants imagine themselves in a fictitious scenario. To verify the external validity of our findings, we conduct Study 3 using field data from real customers. Third, because the context of Study 2 did not allow us to test hypotheses H<sub>7</sub> and H<sub>9</sub>, Study 3 rectifies this omission.

## 6 Study 3: Integrating the Bright and Dark Sides of ESR

### 6.1 Context, Data Collection, and Sample

As the context for Study 3, we chose the airline industry. This industry is suitable for examining our research question because airline services commonly include customer–service employee interactions and are governed by clear rules that customers must follow, making it essential for airline personnel to apply ESR if customers do not comply. For example, flight attendants may be required to enforce service rules if customers use electronic devices or disregard the “fasten seatbelt” sign during takeoff or landing (Cheng-Hua and Hsin-Li 2012).

We collaborated with a large European airline to assemble a longitudinal data set of customer survey data matched with objective company records. In particular, we used online surveys to collect data from customers at three points in time: shortly before their flight (survey 1), shortly after their flight (survey 2), and six weeks after their flight (survey 3). Of the 50,000 customers initially invited to participate in the



study, 11,416 participated in survey 1 (response rate of 22.8%), A total of 5,959 participated in survey 2 (response rate of 52.2% regarding survey 1 and 11.9% overall), and of these participants, 3,963 completed survey 3 (response rate of 66.5% regarding survey 2 and 7.9% overall). Web Appendix W4.1 illustrates the data collection procedure and provides information on the exact timing of the surveys. We tested for a potential non-response and survival bias but found that these biases are unlikely to have unduly influenced our results (see our analyses below and Web Appendix W4.2). After the exclusion of observations with missing data, 3,559 observations remained for our analyses. The customers in this sample were on average 47 years old, and 64% were male.

Following the survey data collection, we extracted the revenue generated by each customer from the company's records for the 12 months before and after the flight. This procedure resulted in a longitudinal dataset linking three surveys and customer revenue.

## **6.2 Measures**

The Appendix presents our survey measurements. Survey 1 contained our moderator customer experience and control variables, which allowed us to capture these variables undistorted by the focal flight experience. Specifically, we collected five control variables. First, we collected customers' perceived service value (Sweeney and Soutar 2001), which is an essential predictor of customer loyalty (e.g., Sirdeshmukh, Singh, and Sabol 2002). Second, to account for customers' switching costs, we collected customers' status in the airline's loyalty program (Carlsson and Löfgren 2006). Third, we collected customers' pre-loyalty, that is, their attitudinal loyalty before the focal flight. Fourth and fifth, to account for demographic differences, we collected customers' age and gender, respectively.

In survey 2, we measured service employee warmth, service employee competence (Fiske, Cuddy, and Glick 2006), ESR toward self, and ESR toward others, hereby referring to the flight attendant who was responsible for enforcing service rules in a customer's airplane compartment. To develop a measurement for the ESR constructs, we initially led interviews with three airline managers and five frequent flyers to obtain an understanding of the types of service rules that flight attendants enforce

(Churchill 1979; Hardesty and Bearden 2004). These interviews yielded four typical and widely used ESR behaviors, namely, (1) enforcing the prohibition on using electronic devices, (2) enforcing the “fasten seatbelt” sign, (3) enforcing the correct seat and table positions during takeoff and landing, and (4) enforcing rules regarding the stowing of hand luggage. Furthermore, the airline managers indicated that flight attendants may be required to (5) enforce further rules in other, occasional situations (e.g., customers soiling the plane or customers being noisy).

We operationalized ESR as a dummy variable indicating whether any of these ESR behaviors occurred (see Web Appendix W4.3 for a validation of this measure). Our decision to operationalize ESR dichotomously rather than as a reflective Likert-based multi-item measure is based on three notions. First, as outlined above, ESR in the airline context includes specific, singular behaviors which either do occur or do not occur—illustratively speaking, an airline manager noted that “a flight attendant cannot ‘somewhat’ ask a customer to obey a fasten seatbelt sign.” Operationalizing such discrete behavior as a dummy variable is well-aligned with prior research (e.g., Falbe and Yukl 1992; Keaveney 1995; Rafaeli and Sutton 1990).

Second, our operationalization corroborates our previous studies. Specifically, Study 1 was a scenario-based experiment in which we operationalized ESR as a dummy indicating the respective treatment condition (Bagozzi and Yi 1989). In Study 2, we determined from company records whether customers objectively did or did not experience ESR. Thus, using a dummy variable in the present study ensures a consistent operationalization of ESR across our studies.

Third, given that we measured ESR and its outcomes of service employee warmth and service employee competence in the same survey, operationalizing ESR as a quasi-objective dummy variable helps reduce common method bias. A common method bias denotes spurious correlations between different survey constructs and is particularly likely if items use similar scale formats and scale anchors or are worded ambiguously (Podsakoff et al. 2003). Measuring ESR as the presence or absence of concrete,

observable service employee behaviors should reduce the likelihood of such spurious correlations (Homburg et al. 2012).

Regarding the operative procedure to measure ESR, we asked customers whether they experienced the enforcement of service rules for each of the previously mentioned five ESR behaviors directed at themselves (ESR toward self) or directed at other customers (ESR toward others). If this was the case, we set the respective dummy variable to 1 and to 0 otherwise. Lastly, we asked customers who had experienced ESR to evaluate ESR communication appropriateness.

In survey 3, we measured customer loyalty to mitigate a potential common method bias through time lags between measures (Podsakoff et al. 2003). Table 4 presents the descriptive statistics, psychometric properties, and correlations for our variables. All variables exhibited adequate reliability and discriminant validity (Fornell and Larcker 1981; Nunnally 1978).

As discussed above, we also extracted each customer's revenue from the company database for the 12 months preceding and following the focal flight. We used revenue in the month after customers' focal flight as a validation of customer loyalty and provided robustness checks using revenue in the quarter, half year, and year after the focal flight. The annual customer revenue *preceding* the focal flight (*customer pre-revenue*) serves as a control variable (measured in 100 €).

--- Insert Table 4 about here ---

### **6.3 Model Specification and Results**

*Estimation procedure.* Our analysis is composed of two steps. First, we estimated a path model to test the causal model depicted in Figure 1 and the moderating effect of customer experience. Second, we used an ANOVA and correlation analysis to test the moderating effect of ESR communication appropriateness for those customers who had experienced ESR.

*Testing the causal chain and the role of customer experience.* In line with our conceptual framework for Study 3 (see Figure 1), we specified a path model linking ESR toward others and ESR toward self to service employee warmth and competence, moderated by customer experience. Hereby, to test the

moderating effect of customer experience, we specified service employee warmth and service employee competence to depend on ESR toward others, ESR toward self, customer experience (mean-centered), as well as the products ESR toward others  $\times$  customer experience and ESR toward self  $\times$  customer experience. We also included the squared term of customer experience as an additional independent variable (Ganzach 1997). We further linked service employee warmth and competence to customer loyalty. Lastly, as a validation of customer loyalty, we linked customer loyalty to the revenue customers generated within one month after their focal flight. The model was estimated using Mplus 7 (Muthén and Muthén 2012). The results are depicted in Table 5. In the following section, we interpret the results of Model 1, which is our main model.

First, in  $H_1$  we proposed that ESR toward others positively affects service employee competence. The corresponding path coefficient is significantly positive ( $b = .09, p < .01$ ). Thus,  $H_1$  is supported, corroborating our findings in Study 1. As expected, the effect of ESR toward others on service employee warmth is insignificant ( $b = .02, p > .10$ ).

Second, we proposed a negative effect of ESR toward self on service employee warmth ( $H_5$ ) and service employee competence ( $H_6$ ). The results reveal the negative effects of ESR toward self on both service employee warmth ( $b = -.27, p < .01$ ) and service employee competence ( $b = -.20, p < .01$ ). Thus,  $H_5$  and  $H_6$  receive support, which is in line with our findings in Study 2.

Third, we hypothesized that if customer experience is high, the negative effect of ESR toward self on service employee warmth ( $H_{8a}$ ) and service employee competence ( $H_{8b}$ ) is less pronounced. To test this proposition, we inspected the coefficients of the interactive effects of ESR toward self and customer experience on service employee warmth ( $b = .15, p < .01$ ) and service employee competence ( $b = .13, p < .01$ ). Both interactive effects are significantly positive, which suggests that ESR toward self has less deleterious effects if customers are experienced. This finding is fully in line with  $H_{8a/b}$ . Web Appendix W4.4 presents and discusses the corresponding interaction plots.

Lastly, as expected, service employee warmth ( $b = .10, p < .01$ ) and service employee competence ( $b = .11, p < .01$ ) increase customer loyalty. Customer loyalty positively affects the revenue that customers generated within one month after their focal flight ( $b = 11.44, p < .01$ ). As proposed in H<sub>2</sub> and H<sub>7</sub>, the indirect effects of ESR toward others and ESR toward self on customer loyalty via service employee warmth and competence are significant with the expected effect signs ( $b_{\text{ESR toward others} \rightarrow \text{service employee competence} \rightarrow \text{customer loyalty}} = .01, p < .01$ ;  $b_{\text{ESR toward self} \rightarrow \text{service employee warmth} \rightarrow \text{customer loyalty}} = -.03, p < .01$ ;  $b_{\text{ESR toward self} \rightarrow \text{service employee competence} \rightarrow \text{customer loyalty}} = -.02, p < .01$ ). Furthermore, because the direct effects of ESR toward others and ESR toward self on customer loyalty are insignificant, service employee warmth and competence fully mediate the effects of ESR on customer loyalty.

--- Insert Table 5 about here ---

We conducted six supplemental analyses that verified that validity and robustness of our study. These analyses included the estimation of our model correcting for potential selection effects (Model 2 in Table 5), a model without control variables (Model 3 in Table 5), a test for common method bias, tests for two-way and three-way interactive effects, as well as further validations of our measure of customer loyalty (see Web Appendix W4.5 for details).

*Testing the role of ESR communication appropriateness.* In the following section, we test our hypotheses that ESR communication appropriateness moderates the effects of ESR toward others on service employee competence (H<sub>4</sub>) and the effects of ESR toward self on service employee warmth (H<sub>9a</sub>) and service employee competence (H<sub>9b</sub>).

First, we note that the correlations between ESR communication appropriateness and service employee warmth ( $r = .54, p < .01$ ) and service employee competence ( $r = .52, p < .01$ ) are strongly positive, providing preliminary support for our hypotheses. To obtain further insights into the role of communication appropriateness, we examined customers' perceptions of service employee warmth and competence for high and low communication appropriateness in subsets of our dataset.

Specifically, to test H<sub>4</sub>, we conducted a median split on the variable ESR communication appropriateness and specified a categorical independent variable with three groups: (1) *no ESR toward others*, (2) *ESR toward others / high communication appropriateness*, and (3) *ESR toward others / low communication appropriateness*. To carve out the effect of ESR toward others, we excluded all customers who had experienced ESR toward self. Figure 2 (Study 3, upper plot) depicts the mean values of service employee competence across the three groups outlined above. The ANOVA results show that the mean value of service employee competence significantly differs across the three groups ( $F(2, 3377) = 89.13, p < .01$ ). Post hoc tests reveal that customers who perceived ESR communication appropriateness as low (high) evaluated service employees as significantly less (more) competent than customers who did not experience ESR toward others ( $p < .01$ ). This result provides support for H<sub>4</sub>.

Similarly, to test H<sub>9a</sub> and H<sub>9b</sub>, we specified a categorical variable with three groups: (1) *no ESR toward self*, (2) *ESR toward self / high communication appropriateness* and (3) *ESR toward self / low communication appropriateness*. To determine the effect of ESR toward self, we excluded all customers who had experienced ESR toward others. Figure 2 (Study 3, lower plot) depicts the mean values of service employee warmth and service employee competence across these groups. The ANOVA results reveal significant mean differences both for service employee warmth ( $F(2, 2001) = 9.12, p < .01$ ) and service employee competence ( $F(2, 2001) = 11.42, p < .01$ ). Again, post hoc tests indicate that customers who perceived ESR communication appropriateness as low (high) evaluated service employees as significantly less (more) warm and competent than customers who did not experience ESR toward self ( $p < .01$ ). This finding supports H<sub>9a</sub> and H<sub>9b</sub>.

#### **6.4 Discussion of Study 3**

*Summary of results.* This study integrated the bright and the dark side of ESR using a longitudinal field study in the airline context. The results corroborate the findings of our previous studies: although witnessing a service employee correct another customer may increase the observing customer's perception of a service employee's competence, being corrected by a service employee may decrease a

rule-breaking customer's perception of a service employee's warmth and competence. Customer experience and ESR communication appropriateness moderate these linkages. Furthermore, service employee warmth and competence are positively related to customer loyalty. These results provide evidence to support hypotheses H<sub>1</sub> and H<sub>2</sub> to H<sub>9</sub>. Above and beyond supporting these hypotheses, this study offers additional insights into the mechanisms of ESR that are discussed in the following section.

*Indirect effect on customer loyalty.* The sizes of the indirect effects of ESR toward self and ESR toward others on customer loyalty are significant but small. The reason for the small effect sizes may lie in three contextual particularities of the airline industry. First, customer loyalty to airlines is typically influenced by a multitude of factors beyond the behavior of flight attendants, such as punctuality, food and beverages, cabin features, and switching costs (Aksoy, Atilgan, and Akinci 2003; Carlsson and Löfgren 2006; Chacon and Mason 2011). Thus, examining ESR in the airline context might be conceived as a conservative test of the consequences of ESR. Second, given that rule enforcement in the airline context is related to the safety concerns of flight passengers, rule-breaking customers may be likely to accept being corrected by a service employee. Third, service rules typically enforced on an airplane are not at the discretion of the airline; rather, they are required by air traffic regulations and usually strictly enforced across airlines. Thus, customers may not regard ESR as a differentiating feature of an airline and may thus be less likely to reduce their loyalty.

*Operationalization of ESR.* We operationalized ESR toward others and ESR toward self as dummy variables coded as 1 if customers noticed the respective ESR behavior and 0 otherwise. A limitation of this operationalization is that an ESR value of 0 may confound two situations: it can mean that (1) there was no dysfunctional behavior and therefore no need for ESR or (2) there was dysfunctional behavior, but service rules were not enforced. We therefore replicated the present study using scenario-based experiments (Studies 5 and 6 in Web Appendix W6 and W7). The results are largely in line with this study, verifying the validity of our findings.

*The overall effect of ESR.* The results of this study suggest that if a customer observes rule enforcement toward other customers, this may increase the customer's loyalty through elevated perceptions of the service employee's competence (bright side of ESR). Conversely, if a customer is personally corrected, this may decrease his or her loyalty through reduced perceptions of the service employee's warmth and competence (dark side of ESR). The indirect effects on customer loyalty provide evidence that in this study, the dark side outweighs the bright side of ESR.

Notably, because we focus only on the perceptions of single customers in this study, summarizing the indirect effects of ESR toward others and ESR toward self to inspect a total effect on loyalty exhibits one major caveat: it unrealistically assumes that only one rule-breaking and one observing customer are present in the service situation. If this is not the case, to assess the overall effect of one instance of ESR, the reactions of all observing and rule-breaking customers who are present must be taken into account.

Generally, the results of our previous studies indicate that service employees are well advised to communicate appropriately when correcting customers. To provide guidance on how to accomplish this goal, Study 4 examines specific communication strategies that mitigate the adverse effects of ESR.

## **7 Study 4: Alleviating the Dark Side of ESR**

### **7.1 Method**

*Design.* To examine strategies to remedy the negative effects of ESR toward self ( $H_{10a/b/c}$ ), we conducted a scenario experiment using a sample of 451 participants (60.5% male, average age 35 years). The experiment includes a 2 (service rule: announced vs. unannounced)  $\times$  5 (ESR toward self: no ESR toward self because no dysfunctional behavior, no ESR toward self despite dysfunctional behavior, ESR toward self without justification, ESR toward self with plain justification, ESR toward self with feel-felt-found justification) between-subjects design.

*Procedure.* Participants imagined themselves attending a guided tour through an art museum and subsequently completed a questionnaire. We first manipulated whether the tour guide announced the



service rule that customers were not allowed to take pictures of the exhibits. Moreover, we manipulated whether participants exhibited dysfunctional behavior by taking a picture of one of the exhibits. Subsequently, participants who exhibited dysfunctional behavior were informed of the tour guide's reaction. Specifically, depending on treatment condition, the tour guide did not apply ESR toward self (*no ESR toward self despite dysfunctional behavior* condition) or applied ESR toward self in one of three forms: without justification, with plain justification (in line with  $H_{10a}$ ), or with feel-felt-found justification (in line with  $H_{10b}$ ). In particular, in the plain justification condition, the tour guide stated that the reason photographs were prohibited was that the corresponding artist held the copyright. In the feel-felt-found justification condition, the tour guide additionally expressed understanding regarding customers' feelings (see Web Appendix W5.1 for the full treatments). We conducted a pretest using an online convenience sample ( $N = 45$ ; 60.5% male; average age of 30.1 years) and found that the manipulation worked as intended and the participants perceived the treatments to be easily understandable. The Appendix provides details on the employed measurements. All variables exhibited adequate reliability and discriminant validity (Fornell and Larcker 1981; Nunnally 1978).

## 7.2 Results

*Validity checks.* The participants correctly perceived the manipulations, evaluated the scenario as realistic and were unaware of the study's hypotheses. Details are presented in Web Appendix W5.2.

*Hypotheses tests.* We used ANOVAs to test our hypotheses  $H_{10a-c}$ . We first specified a two-way ANOVA to examine the effects of our treatment dimensions on customer loyalty. The results revealed significant effects of the *service rule announced* condition ( $F(1, 441) = 3.86, p = .05$ ), the *ESR toward self* condition ( $F(4, 441) = 11.37, p < .01$ ), and the interaction of both conditions ( $F(4, 441) = 3.25, p < .05$ ). A corresponding interaction plot is presented in Figure 3.

--- Insert Figure 3 about here ---

Furthermore, to understand the effect of ESR toward self and the justification as a remedy strategy, we conducted post hoc tests on the differences between the relevant conditions (see bottom half of Figure

3). The results provide several key insights into the effects of ESR toward self and ESR justification as a remedy strategy.

First, we note that ESR toward self without justification strongly decreases customer loyalty compared to conditions in which the customer does not experience ESR toward self—regardless of whether the service rule was announced or unannounced. This finding fully corroborates and substantiates our findings from Study 2 and Study 3. Second, in  $H_{10a}$ , we proposed that a plain justification alleviates the negative effect of ESR toward self, particularly if the service rule is announced. In line with this proposition, if the service rule is announced, a plain justification of ESR toward self marginally improves customer loyalty compared to ESR toward self without justification. However, this is not true if the service rule is unannounced, which provides some evidence for  $H_{10a}$ . Third, in  $H_{10b}$ , we proposed that a feel-felt-found justification alleviates the negative effect of ESR toward self, particularly if the service rule is announced. In line with this proposition, if the service rule is announced, a feel-felt-found justification of ESR toward self improves customer loyalty compared to ESR toward without justification. However, a feel-felt-found justification does not improve customer loyalty if the service rule is unannounced. This finding provides support for  $H_{10b}$ .

Fourth, in  $H_{10c}$ , we proposed that the feel-felt-found justification alleviates the negative effect of ESR toward self on customer loyalty to a higher extent than the plain justification. The results provide some support for this hypothesis if the service rule is unannounced, but no support if the service rule is announced.

Fifth, on a side note, customer loyalty does not significantly differ for the conditions *no ESR toward self because no dysfunctional behavior* and *no ESR toward self despite dysfunctional behavior*. This finding reveals an interesting difference between ESR toward *self* and ESR toward *others*. Specifically, if a customer behaves dysfunctionally and a service employee does not enforce the corresponding service rule, this threatens only the loyalty of observing customers; notably, it does not threaten the loyalty of the

customer who behaves dysfunctionally. This finding provides a further indication of customers' egocentric bias in the processing of ESR.

### **7.3 Discussion of Study 4**

The results of Study 4 provide guidance to service firms regarding how to alleviate the negative effect of ESR toward self uncovered in Study 2 and Study 3. Specifically, being corrected by a service employee is significantly less deleterious to customer loyalty if customers are aware of the service rule that is being enforced and service employees justify their application of ESR. Thus, service providers may derive two straightforward implications from this study. First, service employees should unambiguously communicate service rules in advance. If customers do not acquire a clear understanding of the respective service rules prior to entering the service process, remedying negative customer reactions to rule enforcement is barely feasible.

Second, if service employees need to correct customer behavior, they should communicate an adequate reason why following the respective service rule is advised. In addition, if a service rule has not been announced prior to correcting a customer, service employees should show empathy to the customer, for example by using the feel-felt-found approach. As a result, customers may be less likely to "shoot the messengers" of the rule enforcement, thus maintaining a positive view of both service employees and the service firm.

## **8 Discussion**

### **8.1 Research Issues**

Our study contributes to marketing research in several ways. First and foremost, we contribute to the literature on service marketing and more specifically to the literature on customer integration in service delivery. The strong integration of customers in service delivery is prevalent across numerous service industries at such a rate that marketing research regards customer integration as a constituent component of services (Zeithaml, Berry, and Parasuraman 1996). However, marketing and service research has not sufficiently analyzed how service employees enforce service rules to ensure smooth customer integration

and flawless service delivery. Our study provides the first insights into this research void. In light of the relevance of service rule enforcement to promote effective service delivery, we suggest that ESR might constitute a meaningful complement to the nomological network of service research (Zeithaml, Berry, and Parasuraman 1993; Parasuraman, Zeithaml, and Berry 1985). More precisely, in the nomological network of service research, the implementation of rule enforcement might assume the role of an important antecedent of service quality, customer service satisfaction and loyalty (Zeithaml, Berry, and Parasuraman 1996). Because our results suggest that correcting customer behavior may produce both beneficial and adverse consequences for customer relationships, our study underscores the importance of conducting further research in this new area.

Second, one of our study's unique contributions is the finding that ESR poses a threat to rule-breaking customers' self-concepts, which induces customers to apply self-concept protection strategies. Thus, our study also adds to research identifying specific employee behaviors that threaten customers' selves (e.g., Bock, Folse, and Black 2016). Importantly, to conceptually clarify the pivotal role of self-concept theory as a suitable theoretical framework for understanding ESR in service encounters, we conducted additional studies in which we verified that the effects of service rule enforcement conform to the core tenets of self-concept theory (Web Appendix W7 and W8). From our point of view, the investigation of the self-concept-threatening role of ESR in general frontline employee–customer encounters beyond the service context represents a worthwhile avenue for future research.

Relatedly, our studies underline the pivotal role of rule-breaking customers' experience with service regarding their reactions to being corrected by a service employee. Although experienced service customers are less likely to undergo a self-concept threat and subsequent depreciations of service employee competence and warmth, the reverse is more likely for inexperienced service customers. These findings align with extant research emphasizing the different reactions of novice and experts in service encounters (Dagger and Sweeney 2007) and with studies on the influence of customer experience on the clarity of customers' service expectations (Zeithaml, Berry, and Parasuraman 1993). However, Alba and

Hutchinson (1987) established that customer experience is a multi-faceted concept composed of different dimensions, such as the ability to analyze and evaluate a product or service, to access memories and to interpret sophisticated knowledge structures about the product or service. To obtain a deeper understanding of ESR effects on novice and expert customers, future research should identify which facet of customer experience is responsible for the interaction effect with ESR.

Third, our research contributes to service research on dysfunctional customer behavior (e.g., Fisk et al. 2010; Fong, So, and Law 2017; Harris and Reynolds 2003; Xia and Kukar-Kinney 2013). Examples of dysfunctional behavior include customers who forget to pay credit card bills (Xia and Kukar-Kinney 2013), who do not adhere to the scripts of standardized service delivery (i.e., script subversion; Schau, Dellande, and Gilly 2007), and who refuse to cooperate with a firm (Yagil and Luria 2014). Previous studies have typically focused on the consequences of dysfunctional customer behavior. For example, dysfunctional customer behavior negatively influences *other customers' satisfaction* (e.g., Bitner, Booms, and Mohr 1994; Gursoy, Cai, and Anaya 2017), *consumption experience* (e.g., Fullerton and Punj 1997; Harris and Reynolds 2003), and a *firm's performance and service process* (e.g., Gong, Yi, and Choi 2014; Harris and Reynolds 2003). Our paper adopted a different angle by exploring how *employee behavior* in response to dysfunctional customer behavior affects both observing customers and customers who behaved dysfunctionally. In this vein, we conceptualized and tested strategies for service employees, namely, plain justifications and feel-felt-found justifications, to effectively communicate with dysfunctionally behaving customers.

## 8.2 *Managerial Implications*

Because customer integration is often intertwined with service delivery, the dysfunctional behavior of customers is an inevitable reality for service providers. The correction of customers' dysfunctional behavior is indispensable for service providers seeking to ensure effective service delivery and a firm's long-term performance. In this respect, our results provide several actionable implications.

First, service providers might be inclined to avoid conflicts with customers and to allow dysfunctional behavior to pass without enforcing the respective service rules. However, our results indicate that this choice is a slippery slope because observing customers are likely to discount perceived service employee competence and refrain from patronizing the service provider in the future. Service providers are advised to consistently enforce the relevant service rule, especially if customers' dysfunctional behavior might compromise the service experience of other customers.

Second, we found that ESR might harm the customer perceptions of service employees and the loyalty of customers who exhibited dysfunctional behavior and thus were the target of ESR. However, this detrimental effect of rule enforcement does not occur unconditionally; notably, the effect can be alleviated by service firms through appropriate communication strategies. Specifically, service employees should deliver ESR in the following manner: (1) as a basic prerequisite, service employees should immediately announce relevant service rules in the service process; (2) ESR should always be communicated and accompanied by a justification, explaining specifically why the service rule was enforced; and (3) employees should show empathy for the customer and combine empathy with a justification. This last strategy appears to be a particularly viable approach to alleviate the harmful effects of service rule enforcement on customer loyalty.

Third, applying these communication strategies to remedy the potential negative effects of ESR on customer loyalty is more important with certain customer types than with others. Service firms should be particularly careful with customers who have less experience with service because these customers are particularly distressed by ESR. Thus, when dealing with inexperienced customers, employing the previously described communication strategies is essential for maintaining customer loyalty.

Fourth, our study has implications for employee training and selection. Managers may be required to provide coaching to service employees to overcome the role conflict associated with switching simultaneously between a high level of customer orientation and ESR (Ygail and Shultz 2017). Relatedly, it is essential for service employees to receive training on how to cope with unfavorable customer

reactions (e.g., Fong, So, and Law 2017; Torres, Niekerk, and Orłowski 2017; Whiting, Donthu, and Baker 2011) to ESR. Moreover, an enhanced training focus on how to effectively communicate ESR to customers appears to be helpful.

### **8.3 *Limitations and Avenues for Future Research***

Similar to any research, our paper exhibits limitations that provide interesting avenues for future study. First, we did not explore the cultural contingencies of ESR. Specifically, we conducted our studies exclusively in western societies, that is, the United States (Studies 1, 4, 5, and 6) and Germany (Studies 2, 3, and 5). An interesting avenue for future research may be to examine the effect of ESR in a culture wherein the concept of “saving face” is more important, such as China (Kim and Nam 1998). The dark side of ESR may be even more pronounced in such contexts.

Second, the severity of service customers’ rule-breaking might affect firm and employee perceptions of those customers involved in the incident. For instance, customers should evaluate a service employee’s ESR differently if a customer’s rule-breaking might entail life-threatening consequences. Although Study 1 examines the effects of potential harm to observing customers as a contingency of ESR towards others, we do not systematically assess the severity of rule-breaking across all our studies. Given its potential influence on ESR consequences, exploring the moderating effects of the severity of rule-breaking represents a worthwhile area for future research.

Third, our focus on single customers experiencing ESR further prevents us from investigating collective rule-breaking, or more precisely, the number of rule-breaking customers at a given point in time. Analyzing collective rule-breaking in service settings constitutes an important research endeavor to obtain a more comprehensive understanding of ESR. To explore ESR and collective rule-breaking, future studies must change the unit of analysis from an individual customer’s perspective to a customer group perspective. Toward this end, future researchers might employ a social network-based design, tracking the collective perceptions on ESR and service employees and the strength of social ties among all service customers involved in an ESR incident.

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**Table 1 – Study 1: Mediation Analyses**

Path	Coefficients
<b>Mediation Model 1 (No ESR toward Others<sup>a</sup> (0) vs. ESR toward Others) and Safety-related Harm</b>	
No ESR toward others (0) vs. ESR toward others (1) → service employee competence → customer loyalty	1.49***
No ESR toward others (0) vs. ESR toward others (1) → customer loyalty	.26 <sup>n.s.</sup>
<b>Mediation Model 2 (No ESR toward Others<sup>a</sup> vs. ESR toward Others) and Convenience-related Harm</b>	
No ESR toward others (0) vs. ESR toward others (1) → service employee competence → customer loyalty	1.20***
No ESR toward others (0) vs. ESR toward others (1) → customer loyalty	.28 <sup>n.s.</sup>
<b>Mediation Model 3 (No ESR toward Others<sup>a</sup> vs. ESR toward Others) and No Potential Harm</b>	
No ESR toward others (0) vs. ESR toward others (1) → service employee competence → customer loyalty	.59***
No ESR toward others (0) vs. ESR toward others (1) → customer loyalty	-.43**

<sup>n.s.</sup> not significant:  $p > .10$ , \*  $p < .10$ , \*\*  $p < .05$ , \*\*\*  $p < .01$  (one-tailed); unstandardized coefficients.

<sup>a</sup> No ESR toward others comprises the average values of the *no ESR toward others because dysfunctional behavior not seen* and *no ESR toward others because dysfunctional behavior ignored* groups.

**Table 2 – Study 2: Descriptive Statistics and Correlations**

Variable	M	SD	$\alpha$	V1	V2	V3
V1: Service employee warmth	5.46	.91	.87			
V2: Service employee competence	5.48	.88	.90	.88		
V3: ESR toward self	— <sup>a</sup>	— <sup>a</sup>	— <sup>a</sup>	-.18	-.17	
V4: Customer experience	.94	1.12	— <sup>b</sup>	-.04	-.05	.56

Notes: M = mean, SD = Standard Deviation,  $\alpha$  = Cronbach's alpha,  $|r| > .04$ :  $p < .05$ ;  $|r| > .10$ :  $p < .01$ . ESR = Enforcement of Service Rules.

<sup>a</sup> Dummy variable

<sup>b</sup> One-item variable

Table 3 – Study 2: Results

Path		Hypo-thesis	Model 1: Full Model	Model 2: Heckman Model	Model 3: No Controls Model
<b>Main Links</b>					
ESR toward self	→ service employee warmth	H <sub>5</sub> : -	-.61***	-.33***	-.75***
ESR toward self	→ service employee competence	H <sub>6</sub> : -	-.62***	-.33***	-.71***
<b>Main Effects of Moderators</b>					
Customer experience	→ service employee warmth		.05*	.07***	.07***
Customer experience	→ service employee competence		.05**	.07***	.06**
<b>Interaction Effects</b>					
ESR toward self × customer experience	→ service employee warmth	H <sub>8a</sub> : +	.16**	.12*	.16**
ESR toward self × customer experience	→ service employee competence	H <sub>8b</sub> : +	.20***	.16**	.15**
<b>Controlled Paths</b>					
Customer experience <sup>2</sup>	→ service employee warmth		-.01 <sup>n.s.</sup>	-.02 <sup>n.s.</sup>	—
Customer experience <sup>2</sup>	→ service employee competence		-.04*	-.06**	—
Nursing care environment	→ service employee warmth		.08 <sup>n.s.</sup>	1.39***	—
Educational background	→ service employee warmth		.06 <sup>n.s.</sup>	-.15***	—
Punctuality	→ service employee warmth		.45***	.44***	—
Nursing care environment	→ service employee competence		.06 <sup>n.s.</sup>	1.47***	—
Educational background	→ service employee competence		.05 <sup>n.s.</sup>	-.17***	—
Punctuality	→ service employee competence		.46***	.45***	—
Inverse Mill's ratio	→ service employee warmth		—	-2.92***	—
Inverse Mill's ratio	→ service employee competence		—	-3.13***	—
<b>Model Fit</b>					
R <sup>2</sup> for service employee warmth			.25***	.27***	.05***
R <sup>2</sup> for service employee competence			.29***	.31***	.05***

<sup>n.s.</sup> not significant:  $p > .10$ , \*  $p < .10$ , \*\*  $p < .05$ , \*\*\*  $p < .01$  (one-tailed); unstandardized coefficients

**Table 4 – Study 3: Descriptive Statistics and Correlations**

Variable	M	SD	$\alpha$	AVE	CR	V1	V2	V3	V4	V5	V6	V7
V1: Customer loyalty	.02 <sup>e</sup>	.88 <sup>e</sup>	.86	.68	.86							
V2: Service employee warmth	4.83	.91	.82	— <sup>c</sup>	— <sup>c</sup>	.38						
V3: Service employee competence	4.97	.84	.94	— <sup>c</sup>	— <sup>c</sup>	.40	.75					
V4: ESR toward others	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	.00	.00	.05				
V5: ESR toward self	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	— <sup>b</sup>	-.04	-.06	-.05	.15			
V6: Customer experience	3.71	1.16	— <sup>a</sup>	— <sup>a</sup>	— <sup>a</sup>	-.09	-.12	-.14	.05	.02		
V7: ESR communication appropriateness	5.34	.87	— <sup>a</sup>	— <sup>a</sup>	— <sup>a</sup>	.27	.54	.52	.08	-.18	-.05 <sup>†</sup>	
V8: Customer revenue	94.97	258.03	— <sup>d</sup>	— <sup>d</sup>	— <sup>d</sup>	.06	-.02	-.03	.02	.01	.28	-.01

Notes: M = mean, SD = Standard Deviation,  $\alpha$  = Cronbach's alpha, AVE = average variance extracted, CR = composite reliability.

|r| > .03:  $p < .05$ ; |r| > .04:  $p < .01$  (except correlation marked with †, which is significant on the  $p < .05$  level due to the lower number of observations).

<sup>a</sup> One-item variable

<sup>b</sup> Dummy variable

<sup>c</sup> Two-item variable

<sup>d</sup> Objective variable

<sup>e</sup> Due to different measurement scales of the individual items (see Appendix), we z-transformed the items prior to the calculation of the descriptive statistics and reliability diagnostics.

Table 5 – Study 3: Results

Path	Hypothesis	Model 1	Model 2	Model 3
		Full Model	Heckman Model	No Controls Model
Main Links				
ESR toward others	→ service employee warmth	.02 <sup>n.s.</sup>	.01 <sup>n.s.</sup>	.03 <sup>n.s.</sup>
ESR toward others	→ service employee competence	H <sub>1</sub> : + .09***	.09***	.10***
ESR toward self	→ service employee warmth	H <sub>5</sub> : - .27***	-.24***	-.28***
ESR toward self	→ service employee competence	H <sub>6</sub> : - .20***	-.18***	-.21***
Service employee warmth	→ customer loyalty	.10***	.06***	.17***
Service employee competence	→ customer loyalty	.11***	.08***	.27***
Customer loyalty	→ customer revenue	11.44***	11.84***	25.92***
Main Effects of Moderators				
Customer experience	→ service employee warmth	-.09***	-.08***	-.10***
Customer experience	→ service employee competence	-.08***	-.09***	-.11***
Interaction Effects				
ESR toward self × customer experience	→ service employee warmth	H <sub>8a</sub> : + .15***	.15***	.15***
ESR toward self × customer experience	→ service employee competence	H <sub>8b</sub> : + .13***	.15***	.13***
Controlled Paths				
ESR toward others	→ customer loyalty	-.01 <sup>n.s.</sup>	-.02 <sup>n.s.</sup>	-.02 <sup>n.s.</sup>
ESR toward self	→ customer loyalty	-.05 <sup>n.s.</sup>	-.02 <sup>n.s.</sup>	-.05 <sup>n.s.</sup>
Customer experience	→ customer revenue	19.43***	17.24***	64.28***
Controlled Effects				
Perceived service value	→ service employee warmth	.15***	.15***	—
Customer pre-loyalty	→ service employee warmth	.22***	.22***	—
Customer loyalty program status	→ service employee warmth	.03*	.01 <sup>n.s.</sup>	—
Customer age	→ service employee warmth	-.00 <sup>n.s.</sup>	-.00 <sup>n.s.</sup>	—
Customer gender	→ service employee warmth	-.14***	-.13***	—
(Customer experience) <sup>2</sup>	→ service employee warmth	.01 <sup>n.s.</sup>	.01 <sup>n.s.</sup>	—
Perceived service value	→ service employee competence	.15***	.15***	—
Customer pre-loyalty	→ service employee competence	.22***	.20***	—
Customer loyalty program status	→ service employee competence	.01 <sup>n.s.</sup>	-.00 <sup>n.s.</sup>	—
Customer age	→ service employee competence	-.00***	-.00**	—
Customer gender	→ service employee competence	-.08***	-.06**	—
(Customer experience) <sup>2</sup>	→ service employee competence	-.00 <sup>n.s.</sup>	.00 <sup>n.s.</sup>	—
Perceived service value	→ customer loyalty	.06***	.05***	—
Customer pre-loyalty	→ customer loyalty	.57***	.51***	—
Customer loyalty program status	→ customer loyalty	.06***	.05***	—
Customer age	→ customer loyalty	.00***	.00**	—
Customer gender	→ customer loyalty	.07***	.03*	—
Customer pre-revenue	→ customer revenue	6.10***	6.39***	—
Inverse Mill's ratio1 (regarding survey 2)	→ service employee warmth	—	-.13 <sup>n.s.</sup>	—
Inverse Mill's ratio 1 (regarding survey 2)	→ service employee competence	—	-.60**	—
Inverse Mill's ratio 2 (regarding survey 3)	→ customer loyalty	—	-4.52***	—
Model Fit				
Comparative Fit Index (CFI)		.99	.96	.99
Tucker-Lewis Index (TLI)		.98	.90	.99
Root Mean Square Error of Approximation (RMSEA)		.03	.06	.01
Standardized Root Mean Square Residual (SRMR)		.01	.02	.01
χ <sup>2</sup> (d.f.)		55.88 (17)	312.42 (22)	9.42 (7)
Indirect Effects on Customer Loyalty				
ESR toward others → service employee competence → customer loyalty	H <sub>2</sub> : +	.01***	.01***	.03***
ESR toward self → service employee warmth → customer loyalty	H <sub>7a</sub> : -	-.03***	-.02***	-.05***
ESR toward self → service employee competence → customer loyalty	H <sub>7b</sub> : -	-.02***	-.01***	-.06***

<sup>n.s.</sup> not significant:  $p > .10$ , \*  $p < .10$ , \*\*  $p < .05$ , \*\*\*  $p < .01$  (one-tailed); unstandardized coefficients.

**Figure 1 – Conceptual Framework: The Role of ESR in Service Encounters**

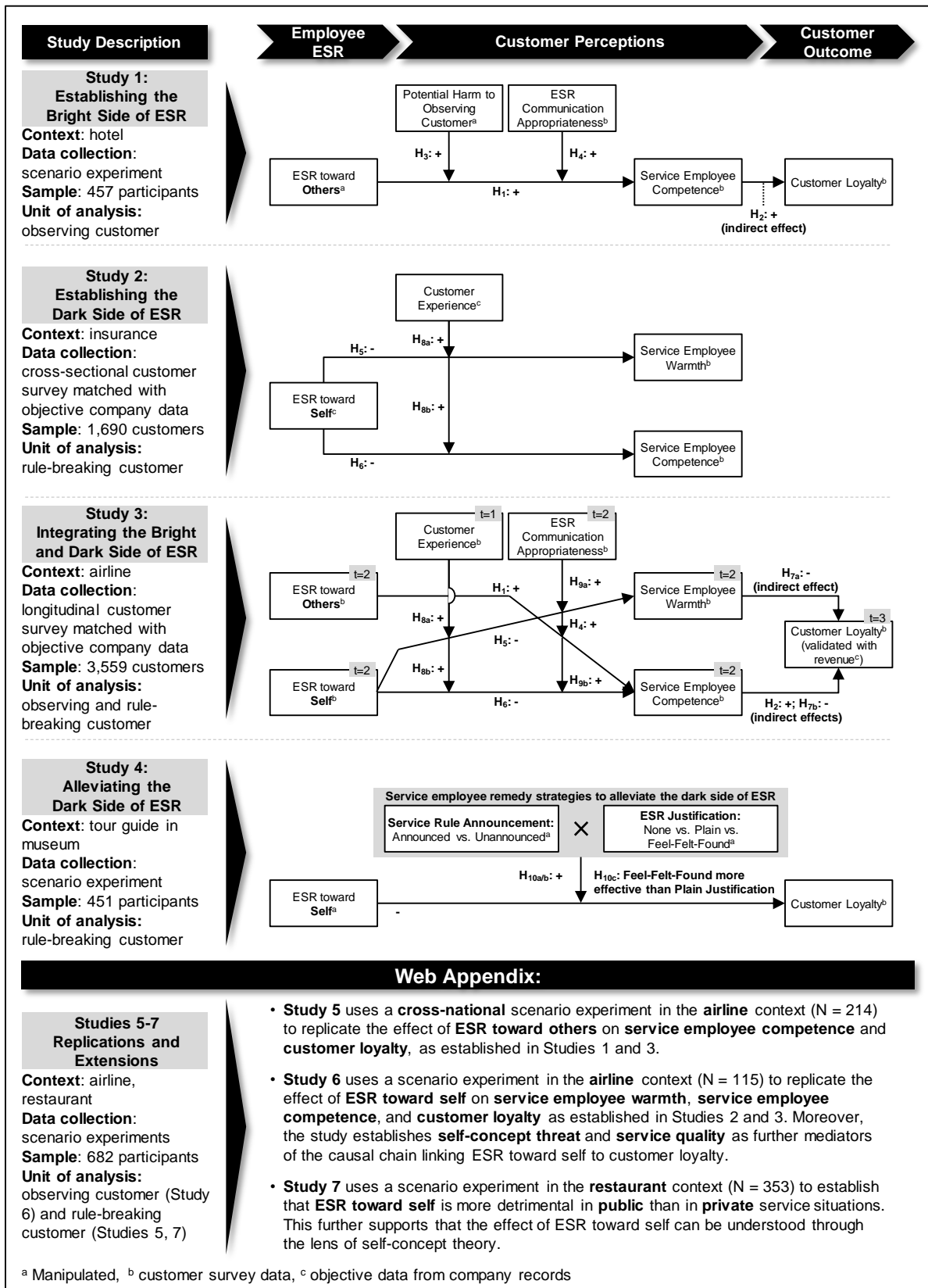




Figure 2 – Studies 1 &amp; 3: Interaction Plots

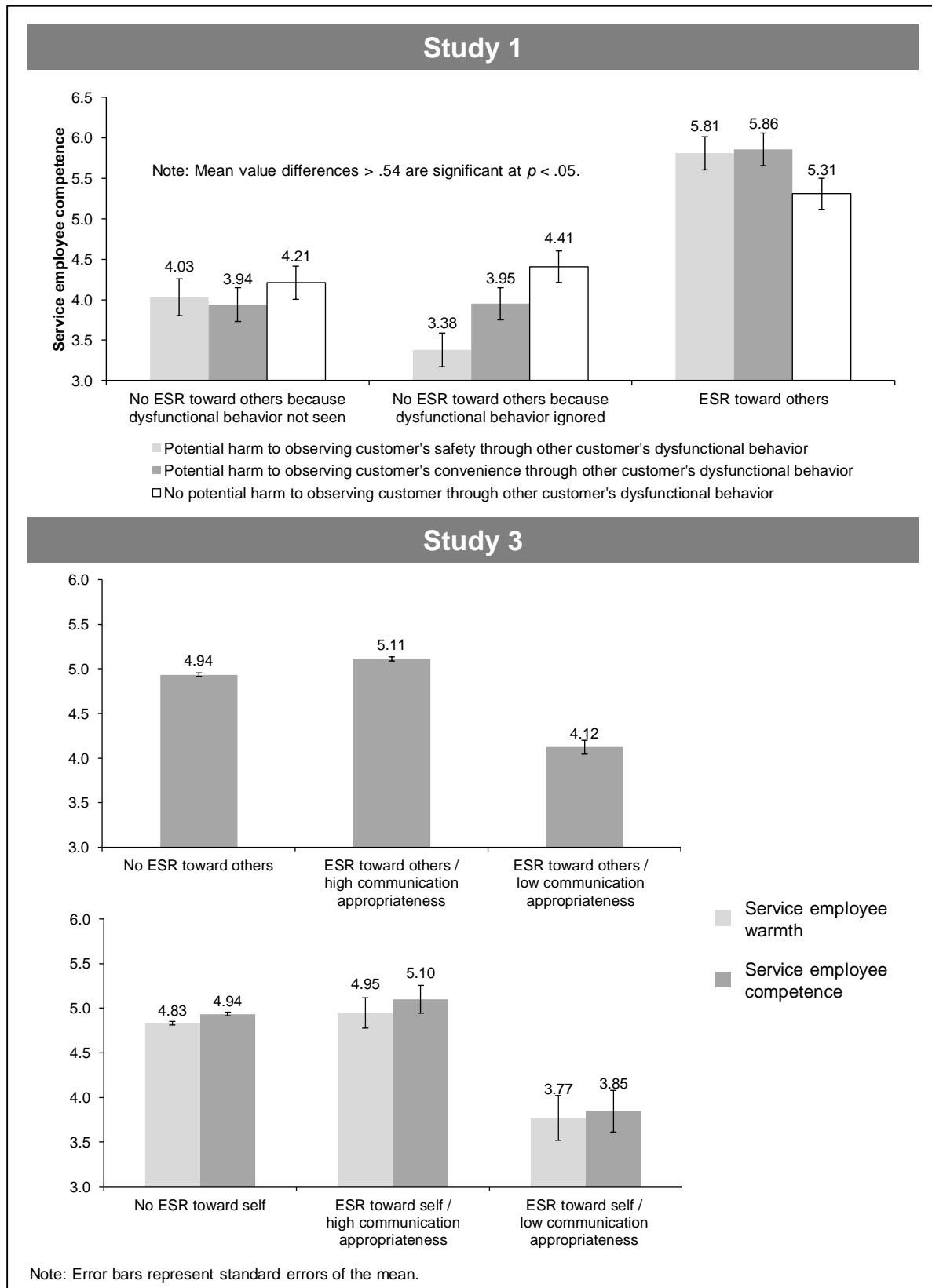
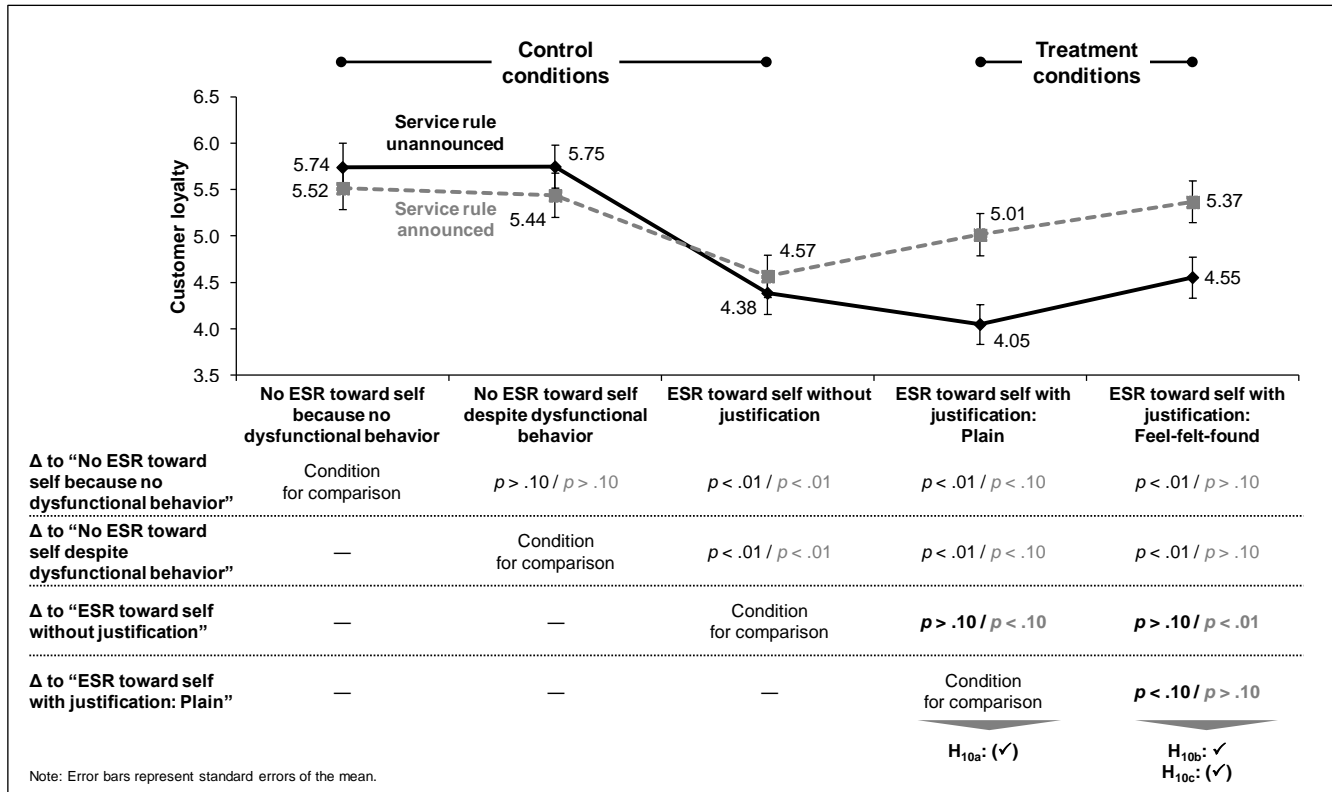


Figure 3 – Study 4: Interaction Plot



## Appendix – Survey Constructs: Definitions and Measures

### Main Constructs:

**Customer Loyalty (Johnson, Herrmann, and Huber 2006; Oliver 1997) / Studies 1, 3-7**  
 **$\alpha$  / AVE / CR:** Study 1: .95 / .87 / .95; Study 3: .86 / .68 / .86; Study 4: .96 / .90 / .97;  
 Study 5: .91 / .79 / .92; Study 6: .90 / .77 / .91; Study 7: .94 / .84 / .94

**Definition:** “[A] deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future” (Oliver 1997, p. 392)

- I will choose this [company] in the future.<sup>a</sup>
- I will recommend this [company].<sup>a</sup>
- Of all the airline travels you could do with this airline, for how many (%) would you actually choose this airline in the future?<sup>b, 3</sup>
- I would consider this [company] for a future [service usage, such as “flight,” “visit”].<sup>a, 3</sup>

**Service Employee Warmth (Fiske, Cuddy, and Glick 2006) / Studies 2-3, 5-7**

**$\alpha$  / AVE / CR:** Study 2: .87 / — / —; Study 3: .82 / — / —;  
 Study 5: .88 / .72 / .89; Study 6: .94 / .85 / .94; Study 7: .89 / .74 / .89

**Definition:** “Traits that are related to perceived intent, including friendliness, helpfulness, sincerity, trustworthiness and morality” (Fiske, Cuddy, and Glick 2006, p. 77)

The [service employee] was very ...

- ... warm.<sup>a, 2</sup>
- ... friendly.<sup>a</sup>
- ... likable.<sup>a, 2, 3</sup>
- ... empathetic.<sup>a, 2</sup>

**Service Employee Competence (Fiske, Cuddy, and Glick 2006) / Studies 1-3, 5-7**

**$\alpha$  / AVE / CR:** Study 1: .96 / .88 / .96; Study 2: .90 / — / —; Study 3: .94 / — / —;  
 Study 5: .95 / .88 / .95; Study 6: .91 / .80 / .92; Study 7: .91 / .77 / .91

**Definition:** “[T]raits that are related to perceived ability, including intelligence, skill, creativity and efficacy” (Fiske, Cuddy, and Glick 2006, p. 77)

The [service employee] was very ...

- ... competent.<sup>a</sup>
- ... capable.<sup>a, 2</sup>
- ... proficient.<sup>a, 2, 3</sup>
- ... well-prepared.<sup>a, 2</sup>

**ESR toward Others (Own Operationalization) / Study 3**

**Definition:** A service employee’s correction of a customer’s dysfunctional behavior

Did you perceive that other customers were personally asked to adhere to rules by the flight attendant and if so, why?

- No
- Yes, for
  - Using electronic devices at the wrong time<sup>c, 3</sup>
  - Violation of the fasten seat belt sign<sup>c, 3</sup>
  - Wrong seat or table position during take-off or landing<sup>c, 3</sup>
  - Wrong stowing of hand luggage<sup>c, 3</sup>
  - Violation of other rules<sup>c, 3</sup>

**ESR toward Self (Own Operationalization) / Study 3**

Were you personally asked to adhere to rules by the flight attendant and if so, why?

[This introductory question was followed by the same scale as the one for ESR toward others.]

### Moderators:

**ESR Communication Appropriateness (Westmyer, DiCioccio, and Rubin 1998) / Studies 1, 5-6**

**$\alpha$  / AVE / CR:** Study 1: .95 / .87 / .95; Study 5: .95 / .88 / .96; Study 6: .96 / .88 / .96

**Definition:** Extent to which a customer regards the delivery of ESR as adequate  
 I think the way the service employee communicated was...

- entirely inappropriate – entirely appropriate<sup>d</sup>
- entirely unacceptable – entirely acceptable<sup>d</sup>
- entirely illegitimate – entirely legitimate<sup>d</sup>

**ESR Communication Appropriateness (Westmyer, DiCioccio, and Rubin 1998) / Study 3**

The service employee communicated the correction appropriately.<sup>a, 3</sup>

**Customer Experience (Own Operationalization) / Studies 3, 6**

Extent to which a customer used the focal service in the past

- How often did you travel by airplane in the past 12 months?<sup>f</sup>

### Control variables:

**Perceived Service Value (Sweeney and Soutar 2001) / Study 3**

**$\alpha$  / AVE / CR:** Study 3: .85 / .70 / .87

- How do you evaluate the price-value ratio of this service provider?<sup>g, 3</sup>
- How do you evaluate the price-value ratio of the flight?<sup>g, 3</sup>
- How do you evaluate the price fairness of the flight?<sup>g, 3</sup>

**Customer Pre-Loyalty (Johnson, Herrmann, and Huber 2006; Oliver 1997) / Study 3**

- I will choose this company in the future.<sup>a, 3</sup>
- I will recommend this company.<sup>a, 3</sup>

**Customer Loyalty Program Status / Study 3**

- What is your loyalty program status?<sup>h, 3</sup>

**Service Employee Punctuality / Study 2**

The service employee arrived at my home at the agreed upon time.<sup>a, 2</sup>

**Age<sup>i, 3</sup> / Study 3**

**Gender<sup>i, 3</sup> / Study 3**

<sup>a</sup> “strongly disagree” to “strongly agree” (Studies 1, 4-7: seven-point scale, Studies 2, 3: six-point scale on the companies’ requests); <sup>b</sup> “0%” to “100%” in 10% intervals; <sup>c</sup> Multiple choice; <sup>d</sup> seven-point differential; <sup>e</sup> “yes,” “no”; <sup>f</sup> “0 times”, “1 to 2 times”, “3 to 5 times”, “6 to 12 times”, “more than 12 times” (scale on the company’s request); <sup>g</sup> “very poor” to “very good” (Study 1: seven-point scale, Study 3: six-point scale on the company’s request); <sup>h</sup> Single choice of one of five status levels (including not being a member); <sup>i</sup> open text field; <sup>j</sup> “male,” “female”; <sup>2</sup> only in Study 2; <sup>3</sup> not in Study 2; <sup>3</sup> only in Study 3; <sup>3</sup> not in Study 3